

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6206**

**BILL NUMBER:** HB 1620

**NOTE PREPARED:** Jan 24, 2005

**BILL AMENDED:**

**SUBJECT:** Companion Animal Tax.

**FIRST AUTHOR:** Rep. Bischoff

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides for a local option Companion Animal Tax, not to exceed \$5 per companion animal, for local animal control or to build, maintain, or operate animal care facilities.

The bill replaces the current State Dog Tax and Kennel Fee with a State Dog Tax imposed at a rate of \$1 per dog owned. It abolishes the dog census.

This bill also retains the town option dog tax of \$2 per dog. The bill eliminates the township and county dog funds and the dog account of the state General Fund, and provides for the disposition of money in the funds and the account. It also requires reporting of dogs on the state Income Tax return.

This bill establishes the Dog Tax Board (Board) and the state Dog Tax Account (Account). It provides that the Board administers the Account. It also requires township trustees to submit animal kill claims to the Board. The bill provides for the use of money in the Account to pay for animal kill claims; canine disease research; and canine research and education. This bill also makes an appropriation.

(The introduced version of this bill was prepared by the Interim Study Committee on Agriculture and Small Business Issues.)

**Effective Date:** January 1, 2005 (retroactive); June 30, 2005; July 1, 2005.

**Summary of Net State Impact:**

*State Dog Tax:* The bill repeals the current Dog Tax system and implements a \$1 tax on each dog owned by

Indiana taxpayers. Based on data from the American Veterinary Medical Association, there are approximately 1.2 M dogs in the state. If each of these dog's owners were to remit the Dog Tax, revenue could equal up to \$1.2 M each year.

*Cost of Manufacturing Dog Tags:* Under current law, dog kennels are required to pay a licensing fee. The township assessor then provides a metallic tag for each dog. These tags are produced by PEN Products and are paid for with funds from the State Dog Account. This bill would repeal the current law resulting in a reduction in revenue for PEN Products in the amount of approximately \$55,404 annually.

**Explanation of State Expenditures:** *Dog Tax Board:* The bill establishes the Dog Tax Board, whose members are the dean of the Purdue University School of Agriculture, or designee, and the dean of the Purdue University School of Veterinary Science and Medicine, or designee.

The bill establishes the Dog Tax Account as an account within the state General Fund. (State dog taxes, described below, must be deposited in the account.) The Board administers the account. Money in the account does not revert to the state General Fund at the end of a state fiscal year. Money in the account is annually appropriated to pay claims for damages sustained by an owner of an animal when an animal is killed, maimed, or damaged other than by a person. Animals include sheep, cattle, horses, swine, goats, mules, chickens, geese, turkeys, ducks, guineas, tame rabbits, game animals held in captivity under authority of a game breeder's license, bison, farm-raised cervidae, and ratitae.

Money in the fund can also be spent for rabies treatment incurred by a person bitten by or exposed to a dog that is known to have rabies. Expenses of removing or having removed the head of a dog that is found roaming at large, unaccompanied by the dog's owner or owner's agent, that is suspected of having rabies; and dies or is destroyed for the reasons specified in the bill.

After all claims have been paid for the year, the Board must use the lesser of the money remaining in the account or \$100,000 for canine disease research at the Purdue University School of Veterinary Science and Medicine. If money remains in the account after the distributions to the Vet school, the Board must use the money remaining for canine research and education at the Purdue University School of Veterinary Science and Medicine.

The Board shall prescribe a form on which claims may be submitted, which would likely result in minimal administrative duties.

*Transition of Revenue in Current Account.* The bill repeals current statute which requires counties to transfer all remaining funds from their county dog fund to the State Auditor (State Dog Account) annually. The bill allows for the disbursement of any remaining funds from the aforementioned account. If any money remains in the State Dog Account of the state General Fund on June 30, 2005, the Auditor of State must, on July 1, 2005, distribute 50% to Purdue University for the School of Veterinary Science and Medicine, to be used solely for canine disease research. The remaining 50% must be distributed to the counties that paid to the Auditor of State the surplus money remaining in the counties' county dog funds on May 7, 2005. Each county's share of the total amount distributed must be proportional to the county's share of the total amount paid in 2005.

*State Auditor's Office:* The administrative changes in the implementation and administration of the State Dog Tax are expected to result in a minimal decrease in the administrative costs of the Auditor of State's office. Under current law, the Auditor's office is responsible for distributing dog tags to townships, paying claims

against the funds, distributing funds to Purdue University, and redistributing a portion of any surplus money in the dog fund back to the counties.

*Department of State Revenue:* This bill requires the Department of State Revenue to develop forms and procedures so that individuals may submit the Dog Tax when reporting the annual Income Tax. While this provision will increase the Department's administrative burden, it is presumed that any additional costs will be covered using existing staff and resources.

*Cost of Manufacturing Dog Tags:* Under current law, dog kennels are required to pay a licensing fee of \$40 for 15 or more dogs and \$20 for less than 15 dogs. The township assessor then provides a metallic tag for each dog. This bill would eliminate the current law. The tags are currently produced by PEN Products and are paid for with funds from the State Dog Account. PEN Products collected \$55,404 for the production of dog tags in FY 2004. Sales revenue is deposited in the Industry and Farm Products Revolving Fund. This requirement of the bill would result in a reduction in revenue for PEN Products in the amount of approximately \$55,404 annually.

The Department of Correction (DOC) reports that the production of dog tags is maintained by 0 to 3 inmates at any given time. These individuals are also responsible for the production of fish net tags and key chits. Dog tag production, however, represents 90% of production. The number of offenders working fluctuates with the amount of orders, the quantity of orders, and the required delivery date from customers.

*Background Information:* Counties remitted \$233,253 in surplus Dog Tax revenue to the Auditor of State during FY 2004. Under current law, Dog Tax receipts are used to reimburse the state for the cost of dog tags, maintain a reserve balance in the fund, and for payment of claims not previously paid by counties or townships. Fifty percent of any remaining funds are distributed (up to \$100,000) to Purdue University for canine research. The remaining balance is distributed back to the counties. Counties and townships currently use money in the local, county, and state Dog Tax funds to pay claims related to damages to livestock by dogs and for rabies testing and treatment for persons bitten by a rabid dog.

**Explanation of State Revenues:** *State Dog Tax:* The bill repeals the current Dog Tax system and implements a \$1 tax on each dog owned by Indiana taxpayers. Under the proposal, Dog Tax revenue would be dedicated to pay claims submitted for damage, less insurance proceeds, sustained by an animal owner when an animal is killed, maimed, or damaged other than by a person. Based on data from the American Veterinary Medical Association, there are approximately 1.2 M dogs in the state. If each of these dog's owners were to remit the Dog Tax, revenue could equal up to \$1.2 M annually.

*Penalty Provision:* The bill repeals current statute which makes it a Class C infraction for a township assessor, assessor's designee, or township trustee to (1) fail to perform the duties relating to dog tax collections, or (2) fail to complete a report within the time specified in statute. The maximum judgment for a Class C infraction is \$500, which would be deposited in the state General Fund. However, any reduction in revenue is likely to be small. There is no data which indicates the number of persons convicted of this offense.

### **Summary of Net Local Impact:**

*Local Option Tax for Companion Animals:* This bill allows the legislative body of a county to adopt an ordinance to impose a tax, not to exceed \$5, for a companion animal. Based on data from the American

Veterinary Medical Association, there are approximately 1.2 M dogs and 1.6 M cats in the state. If each of these animal's owners were to remit the Companion Animal Tax, revenue could equal up to \$14 M annually if a \$5 fee were charged for each companion animal.

*Penalty Provision:* If fewer court actions are filed, local governments would receive less revenue from court fees. However, any reduction in revenue is likely to be small.

**Explanation of Local Expenditures:** *County:* The legislative body of a county may adopt an ordinance to impose a tax for each companion animal. They also may designate one or more persons to collect the tax. The repeal of IC 15-5-9 removes the responsibility of administering the Dog Tax and dog fund from county auditors. Additionally, counties would not be responsible for the payment of claims made against the fund for dog-related damages. This provision is expected to cause a minimal reduction in their administrative burden.

*Township:* The township trustee must establish criteria and procedures under which an owner of stock, fowl, or game may submit a claim to be paid by the Dog Tax Board. The repeal of IC 15-5-9 removes the responsibility of administering the Dog Tax and dog fund from township assessors and trustees--including the payment of claims made against the fund for dog-related damages. This provision is expected to cause a minimal reduction in the workload of these township officials.

**Explanation of Local Revenues:** *Local Option Tax for Companion Animals:* This bill allows the legislative body of a county to adopt an ordinance to impose a tax for each companion animal that a person owns, harbors, or keeps near their premises. The ordinance must state whether the tax is imposed on dogs, cats, or both. The tax may not exceed \$5 per year for each companion animal. Money derived from the tax, less any fees is to be deposited in the County Companion Animal Fund. Based on data from the American Veterinary Medical Association, there are approximately 1.2 M dogs and 1.6 M cats in the state. If each of these animal's owners were to remit the Companion Animal Tax, revenue could equal up to \$14 M each year if a \$5 fee were charged for each companion animal. The legislative body of a county may designate one or more persons to collect the tax. A designee may retain a fee from the tax not to exceed \$0.75. This money is then transferred to the County Treasurer.

*Penalty Provision:* If fewer court actions are filed, local governments would receive a reduction in revenue from court fees. However, any reduction in revenue is likely to be small.

*Humane Societies:* The legislative body of a county that imposes a tax must distribute the entire amount of tax collected. All or part of the tax may be distributed to one or more animal care facilities located in the county; or if no animal care facility is located in the county, outside the county. For a county that performs animal control functions, tax payments not distributed to an animal care facility must be distributed to the entity in the county that performs animal control functions for the county. In a county that does not perform animal control functions, the entire amount of the tax payments must be distributed to an animal care facility. The facility must use the funds to build, maintain, or operate the animal care facility; and/or to perform animal control functions. There are currently 47 counties which have government-owned animal control centers.

Under current law, a county may designate one humane society to receive \$0.50 from each dog tax payment. Repeal of current statute would create a small reduction in revenue for these entities.

*Town Dog Tax:* The fiscal body of a town may levy a tax of up to \$2 for each dog. The fiscal body of a town must determine the manner in which the tax is to be collected. The tax may be expended for any lawful town

purpose. This requirement of the bill reflects current statute. No additional revenues are anticipated.

*Dog Tax:* Ending the local collection of the Dog Tax could cause a slight reduction of revenue to counties. Under current law, counties receive a reimbursement of a portion of the money paid into the state Dog Fund after claims, costs, and distributions.

In addition, various administrative fees are charged by the township assessor which are then deposited into either the county or township general fund. The fee amounts are minimal, ranging from \$0.50 to \$0.75. There is no data which indicates the amount of revenue collected from these fees. County and township general funds would likely experience a small decrease in revenue as a result.

**State Agencies Affected:** Auditor of State; Purdue University; Department of State Revenue.

**Local Agencies Affected:** Township assessors; County assessors; County auditors; County treasurers; Township trustees; Trial courts, Local law enforcement agencies.

**Information Sources:** Auditor of State; Tim Brown, Department of Correction.

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